Private Copying Levy in Cross-Border Transactions: CJEU's stance in *Stichting v Opus*

Enrico Bonadio
City University London

Marco Bellezza
Portolano Colella Cavallo Law Firm

Copyright; EU law; Levies; Private copying; Netherlands

On 16 June 2011 the Court of Justice of the European Court (CJEU) gave its decision in Stichting de Thuiskopie v Opus Supplies Deutschland GmbH, Mijndert van der Lee, Hananja van der Lee (Case C-462/09). The Court held that the Member States which have introduced the private copying exception are required to guarantee an adequate compensation to right holders by ensuring the collection of the levy even in case of transaction with cross-border elements.

Introduction and legal framework

On 16 June 2011 the Court of Justice of the European Court (CJEU) gave its decision in a case originating from a Dutch litigation, *i.e. Stichting de Thuiskopie v Opus Supplies Deutschland GmbH, Mijndert van der Lee, Hananja van der Lee* (C-462/09). The Court dealt again with the issue of private copying levy analyzing its applicability in a cross-border transaction under Article 5 of Directive 2001/29 ("Info-Society Directive")[1]. The CJEU had already had the chance to interpret this provision in the recent case *Padawan*[2].

Article 5(2)(b) of the Info-Society Directive provides that EU Member States may provide exceptions or limitations to the exclusive rights owned by copyright holders in relation to unauthorised reproductions on any medium made by a natural person for private use and for purposes which are neither directly or indirectly commercial, provided that a fair compensation is paid to right owners. Article 5(5) of the same directive then clarifies that such exception must only be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject matter and do not unreasonably prejudice the legitimate interests of the copyright holder. This provision draws heavily from Article 13 TRIPS Agreement[3].

The above provisions have been implemented in the Netherlands by Article 16(c)(1)-(3) of the law on copyright (Auterswet, Staatsblad 2008, No 538). Such article states that the reproduction of works on copying devices is not considered copyright infringement if the reproduction is made for private use. It

[1] Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, publication in OJEC, L-167/10, 22.6.2001.
[2] *Padawan SL v Sociedad General de Autores y Editores* (SGAE) (Case C-467/08). For a comment of this case see Enrico Bonadio – Carlo Maria Cantore, *The ECJ Rules on Private Copying Levy: Padawan SL v Sociedad General de Autores y Editores (SGAE) (C-467/08)*, EIPR (2011), 33(4), pp. 260-263.
[3] Article 13 TRIPS states that "*Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder*".

further specifies that (i) a fair compensation (*i.e.* a private copying levy) should be paid to copyright owners by the manufacturer or importer of copying devices and that (ii) the obligation to pay arises when such products are produced or imported. Legislations on private copying levy have been introduced in almost all EU Member States. This levy is usually paid by producers, distributors, wholesalers or retailers of products such as blank CDs, DVDs, MP3 players, printers and photocopying machines, *i.e.* devices capable of being used for reproducing copyrighted works.

Facts of the case

The case originated from a Dutch litigation between Stichting (the Dutch collecting society entrusted with collecting the private copying levy on behalf of right owners) and Opus (a company based in Germany) that sells blank media via the Internet. In particular, the latter company targets the Dutch market by relying on a Dutch language website.

The national litigation was triggered by Stichting which had required Opus to pay the compensation due under Article 16(c) of the Dutch law on copyright, as the latter had marketed the products in question in the Netherlands. Opus refused to pay the levy arguing that it could not be regarded as an "importer" of the copying devices. Rather, according to Opus, the Dutch buyers of such products should be considered "importers" under Article 16(c) of the above law and as such pay the fair compensation[4]. The court of first instance and the court of appeal sided with Opus. Yet the Dutch Supreme Court decided to stay the proceedings and referred the case to the CJEU pursuant to Article 267 of the Treaty for the Functioning of the European Union. In particular, the Dutch Supreme Court asked the CJEU to clarify whether, in case of distance selling in which the costumer is established in a different Member State to that of the seller, the latter is due to pay the compensation under Article 5 of the Info-Society Directive. Indeed, this directive is not of great help in this specific regard as it does not explicitly allows for any exception to the protection of the right holders' rights in case of distance selling arrangements[5].

Analysis of the decision

The CJEU first reiterated the preliminary finding reached in *Padawan*, *i.e.* that EU Member States are free to provide a private copying levy chargeable to the seller of copying devices which makes available such products to a final user, so that the former can pass on the amount of such levy in the price paid by the latter for that service.

The CJEU then faced the issue of the payment of the levy in cross-border transactions. It preliminarily stressed that in the system designed by the Info-Society Directive EU Member States are required to achieve a precise result: *i.e.* in case final users reproduce copyrighted works for private purposes in their territories, Member States must guarantee an effective recovery of the fair compensation in order to remedy the prejudice suffered by the authors in such territories[6]. The Court then applies such principle to the facts of the case, *i.e.* when customer and seller of the copying equipment are based in different Member States. As it is practically impossible to recover the fair compensation directly from final users (as also highlighted in *Padawan*), the CJEU noted, the authorities of the Member States, and in particular their courts, are required to reach an interpretation of the national legislation that allows to

[4] See paragraph 14 of the CJEU decision.
[5] See paragraph 43 of the Advocate General's opinion of 10 March 2011.
[6] See paragraph 36 of the CJEU decision.

recover the fair compensation in their territories directly from the seller who makes available to the final users the copying devices, even though such seller is established in another Member State[7].

This issue had also been dealt with by Advocate General Niilo Jääskinen. His analysis however was deeper and more well-reasoned than the one carried out by the CJEU. In particular, in his opinion of 10 March 2011 the AG took into consideration Council Regulation (EC) no. 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters[8]. Such regulation aims at regulating jurisdiction in cross-border disputes by providing that it is only in cases where companies target costumers in specific Member States that jurisdiction should be established in those countries[9]. Although such directive regulates another branch of law, the AG made reference to it as the nature of the issue is similar to the one debated in *Stichting v Opus*, namely "*under what circumstances a company in another Member State may be liable or, in the present case, under what circumstances it may be subjected to a fee, for goods it sells over the Internet to a consumer in another Member State*"[10]. Taking this into consideration, AG's argument goes, the payment of the compensation for private copying in cross-border transactions should be imposed by the Member State whose consumers are targeted by the seller of the devices in question.

And what about the criteria for determining whether a company is targeting the market of a specific Member State? The AG also touched such issue, which instead was not dealt with by the CJEU. He quoted the previous CJEU decision in *Pammer and Hotel Alpenhof* [11] in which a list of criteria useful to verify whether a company's activity is specifically directed to a Member State's market are set out. In that case it was held that, in order to verify if a trader's activity is directed at a particular country, one should preliminarily verify whether before the conclusion of the contract with the costumer it is apparent from the seller's website and its overall economic activity that the trader meant to do business with clients residing in another country[12]. The AG then noted that several of the above criteria might also be taken into consideration in the present case in order to ascertain if the seller of copying equipment established in another country is liable to pay the private copying levy. The relevant criteria to be taken into account are the following: (i) the use of a language or currency different from the ones generally used in the Member State where the seller is established (and we have seen that in the case at hand Opus was targeting the Dutch market by relying on a Dutch language website); (ii) the possibility for consumers to make and confirm their reservations in that other language; (iii) the mention of a telephone number with an international code; (iv) outlays of expenditure on an internet referencing service in order to facilitate access to the trader's site or that of its intermediary by consumers domiciled in other Member States; (v) the adoption of a top-level domain name other than that of the Member State in which the seller is established; and (vi) the mention of international customers domiciled in various Member States[13].

The AG finally dealt with another issue that had not taken into consideration by the CJEU in its decision, *i.e.* the risk of imposing to cross-border sellers of copying devices a double private copying levy: one in the Member State where the trader is established and another in the country where the

[7] See paragraphs 39-40 of the CJEU decision.
[8] Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, in OJ L 012 , 16.01.2001.
[9] See paragraph 49 of the AG opinion. See also Article 5 Directive 44/2001.
[10] See paragraph 50 of the Advocate General opinion.
[11] Cases C-585/08 and C-144/09, decision of 7 December 2010.
[12] See paragraph 54 of the AG opinion.
[13] See paragraph 54 of the AG opinion.

customer resides. The AG stance in this regard is straightforward ("[i]*n my opinion* […] *a company should not be obliged to pay fair compensation if it has already done so in another Member State*"[14]) and stems from the following argument: legitimizing the payment of a double private copying levy would be against one of the main aim of the Info-Society Directive, *i.e.* providing copyright holders with a *sufficient* protection (payment of a single compensation), and not with an *over* protection (payment of a double compensation). This point is even referred to in the AG final answer: "*These provisions* [Articles 5(2)(b) and 5(5) of the Info-Society Directive] *do exclude any interpretation of the relevant national legislation that does not ensure effective payment of such fair compensation by a distant seller of media for reproducing such works or other protected subject-matter that targets customers in that Member State* unless the seller has already paid comparable compensation in the Member State where the transaction takes place" (emphasis added). Oddly enough, the CJEU has not even mentioned this important issue in its ruling.

Concluding remarks

This decision will have an impact in the many Member States which have introduced legislations on private copying levy and will certainly affect traders of copying devices interested in cross-border transactions. Indeed, the CJEU decision confirmed that EU Member States will have to make sure that copyright holders receive the compensation, even though the importer of such products is established in another EU country.

The practical lesson we can draw from this ruling is that no company can escape paying the levy by locating its business in another EU country. This is a relevant point as it seems that the intra-EU trade of these products is progressively growing.

Yet, some uncertainties can also stem from this decision. First, it might be difficult to identify an on line seller of the equipment in question which is based in another distant Member State and accordingly to properly enforce the payment of the levy. Second, no reference is made in the CJEU ruling as to how to avoid the payment of a double compensation, one in the country where the manufacturer is established and another in the state where the purchaser of the copying equipment is based: which may cast some doubts on whether the payment of a double levy is to be considered as prohibited as it had appeared from the AG clear remarks in this specific regard. Finally, how national authorities will identify chargeable uses and then quantify payments of the compensation? A similar issue also stemmed from *Padawan* where the CJEU held that the levy should be charged on copying devices sold to individuals, but not when such equipment is sold to companies and professionals[15].

[14] See paragraph 55 of the AG opinion.

[15] See again Enrico Bonadio – Carlo Maria Cantore, *The ECJ Rules on Private Copying Levy: Padawan SL v Sociedad General de Autores y Editores (SGAE) (C-467/08)*, EIPR (2011), 33(4), p. 263.